

**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY, KENTUCKY,  
ECONOMIC DEVELOPMENT CORPORATION**

**A COMPONENT UNIT OF  
JEFFERSON COUNTY FISCAL COURT  
For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Jerry Abramson, Metro Mayor  
Members of the Louisville Metro Government Council  
Honorable Rebecca Jackson, Former Jefferson County Judge/Executive  
Former Members of the Jefferson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the capital projects fund of the Jefferson County, Kentucky, Economic Development Corporation (the Corporation), a component unit of Jefferson County Fiscal Court, as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2002, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, the Corporation has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2003, on our consideration of the Jefferson County, Kentucky, Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 16, 2003





JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2002

	<b>Capital Projects Fund</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Net Assets</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 235,551	\$	\$ 235,551
Investment	274,859		274,859
Accrued interest	304		304
Accounts receivable	39,588		39,588
Note receivable	137,400		137,400
Due from Jefferson County	37,489		37,489
Land held for development	527,888		527,888
Land		148,888	148,888
Buildings and improvements, net of accumulated depreciation		193,378	193,378
Infrastructure, net of accumulated depreciation		804,380	804,380
Total assets	<u>\$ 1,253,079</u>	<u>\$ 1,146,646</u>	<u>\$ 2,399,725</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 5,106	\$	\$ 5,106
Deferred revenue	33,753		33,753
Land to be transferred	128,785		128,785
Total liabilities	<u>\$ 167,644</u>	<u>\$ 0</u>	<u>\$ 167,644</u>
<b><u>FUND BALANCES/NET ASSETS</u></b>			
Fund balances:			
Reserved for land held for development	\$ 399,102	\$ (399,102)	\$
Reserved for note receivable	137,400	(137,400)	
Unreserved	548,933	(548,933)	
Total fund balance	<u>\$ 1,085,435</u>	<u>\$ (1,085,435)</u>	<u>\$ 0</u>
Total liabilities and fund balances	<u>\$ 1,253,079</u>		
Net assets:			
Invested in capital assets, net of related debt		\$ 1,146,646	\$ 1,146,646
Restricted		137,400	137,400
Unrestricted		948,035	948,035
Total net assets		<u>\$ 2,232,081</u>	<u>\$ 2,232,081</u>

The accompanying notes are an integral part of the financial statement.

JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

For The Fiscal Year Ended June 30, 2002

	<b>Capital Projects Fund</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Activities</b>
<b><u>REVENUES</u></b>			
Investment income	\$ 53,443	\$	\$ 53,443
Total revenues	<u>\$ 53,443</u>	<u>\$ 0</u>	<u>\$ 53,443</u>
<b><u>EXPENDITURES</u></b>			
Current:			
Utilities	\$ 3,684	\$	\$ 3,684
Maintenance	16,309		16,309
Cost of land held-legal expenses	4,906		4,906
Miscellaneous	398		398
Depreciation		69,006	69,006
Capital outlay	<u>111,742</u>	<u>(111,742)</u>	
Total expenditures	<u>\$ 137,039</u>	<u>\$ (42,736)</u>	<u>\$ 94,303</u>
Excess (deficiency) of revenues over expenditures	\$ (83,596)	\$ 42,736	\$
Change in net assets		(40,860)	(40,860)
Fund balances/net assets:			
Beginning of the year	<u>1,169,031</u>	<u>1,103,910</u>	<u>2,272,941</u>
End of year	<u><u>\$ 1,085,435</u></u>	<u><u>\$ 1,063,050</u></u>	<u><u>\$ 2,232,081</u></u>

The accompanying notes are an integral part of the financial statement.



JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. The Corporation

The Jefferson County, Kentucky, Economic Development Corporation (the Corporation), was incorporated as a Kentucky nonprofit corporation to act as an agency and instrumentality of the Jefferson County Fiscal Court (Fiscal Court) in acquisition and financing pursuant to the Act of Public Projects (within the meaning of the Act) for public purposes, including particularly the acquisition of land, buildings, and equipment to be used for public purposes, including specifically “industrial parks”. The Corporation is governed by a board of directors composed of five ex officio directors, consisting of the individuals from time to time holding the following offices in the government of Jefferson County: the County Judge/Executive, the Deputy County Judge/Executive, the County Judge/Executive’s Business Liaison, the Chief Financial Officer, and the Treasurer.

The Corporation is a blended component unit of Fiscal Court and, as such, has been included in the basic financial statements of Fiscal Court.

Note 2. Summary of Significant Accounting Policies

The basic financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Corporation’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis*, which mandates the new reporting model implemented by the Corporation. The following is a summary of significant accounting policies.

Entity-Wide and Fund Financial Statements – The financial statement presentation for the Corporation includes separate columns reporting a statement of net assets and a statement of activities. These statements present an entity-wide presentation of all activities of the Corporation. A separate fund financial statement is also presented for the Capital Projects Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Furthermore, both long term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Corporation considers revenues available for reporting purposes when collected within 60 days. Only current assets and current liabilities generally are included on the balance sheet.

JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Capital Projects Fund

In prior years, the Corporation obtained financing for projects by the issuance of long-term debt. The proceeds from the issuance of such obligations were deposited into the Capital Projects Fund, from which disbursements were made for acquisition and development costs. As of June 30, 2002, there was no outstanding debt related to these projects.

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as various short-term investments with an original maturity of three months or less.

Investments - Investments are recorded at fair value based on quoted market values in accordance with Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

Land Held for Development - The inventory of land held for development is carried at the lower of cost or net realizable value. Land and development costs are recorded in inventory as incurred and charged to operations as related parcels are sold (consumption method).

Capital Assets - Land, buildings, and other capital assets are recorded at cost in the fund financial statements. Additionally, capital assets are recorded at cost net of accumulated depreciation in the entity-wide statement of net assets. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred for the construction of capital assets is not capitalized.

The Corporation depreciates assets using the straight-line method, over the estimated useful lives of assets, with the following life expectancy:

<u>Assets</u>	<u>Years</u>
Land	Not Depreciable
Historic property structures	40
Building improvements	25
Sidewalks	20
Depreciable land improvements	20

Estimates - The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that effect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 3. Reconciliation of Entity-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net assets

The financial statement for the governmental fund balance sheet and statement of net assets includes an adjustments column representing reconciliation between fund balance reported in the fund financial statement and net assets reported in the entity-wide statement. The details of the reconciling items are as follows:

When capital assets (land, buildings, and other capital assets) are to be used in government activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Corporation as a whole.

Cost of capital assets:		
Land		\$ 148,888
<hr/>		
Buildings	\$ 483,766	
Other capital assets	1,339,894	
Accumulated depreciation	(825,902)	\$ 997,758
		<hr/>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities

The financial statement for the governmental fund statement of revenues, expenditures, and changes in fund balances and statement of activities includes an adjustments column representing a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities reported in the entity-wide statement. The details of the reconciling items are as follows:

When capital assets are to used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Depreciation expense	\$ 69,006
	<hr/>
Capital outlay	\$ 111,742
	<hr/>

JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Investments

The Kentucky Revised Statutes (KRS 66.480) and respective bond indentures allow the Corporation to invest in the following types of securities:

Obligations of the United States and its agencies and instrumentalities, including repurchase agreements; obligations backed by the full faith and credit of the United States, United States government agency, or of any corporation of the United States government; certificates of deposit or any other interest bearing account issued by any bank or savings and loan institution which is insured by the FDIC; highly rated uncollateralized certificates of deposit, bankers acceptances, and commercial paper; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies and instrumentalities; highly rated securities issued by the state or local government, or any instrumentality or agency in the United States; and mutual funds which include the above eligible investments.

Investments are categorized into three categories of credit risk:

- (1) Insured or registered, or securities held by the entity or its agent in the entity's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counterpart's trust department or agent, but not in the entity's name.

At June 30, 2002, investments were categorized as follows:

Types of Investments	Category			Fair Value
	1	2	3	
Investment in U.S.				
Agency Obligation	\$ 274,859	\$	\$	\$ 274,859
Investments not subject to categorization				
U.S. Agency Obligations				
-money-market mutual				
funds-SEC registered				235,551
	<u>\$ 274,859</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 510,410</u>

JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and improvements	\$ 127,500	\$ 21,388	\$ 0	\$ 148,888
Capital assets, being depreciated:				
Buildings and facilities	\$ 421,255	\$ 62,511	\$	\$ 483,766
Infrastructure	1,312,051	27,843		1,339,894
Total capital assets, being depreciated:	\$ 1,733,306	\$ 90,354	\$ 0	\$ 1,823,660
Less accumulated depreciation for:				
Buildings and Facilities	\$ (287,390)	\$ (2,998)	\$	\$ (290,388)
Infrastructure	(469,507)	(66,007)		(535,514)
Total accumulated depreciation	\$ (756,897)	\$ (69,005)	\$ 0	\$ (825,902)
Total capital assets, being depreciated, net	\$ 976,409	\$ 21,349	\$ 0	\$ 997,758

Note 6. Administrative Expenses

Fiscal Court provides certain accounting and administrative services for the Corporation at no charge.

JEFFERSON COUNTY, KENTUCKY, ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 7. Changes in Accounting Principles and Changes in Prior Year Fund Equity

Changes in Accounting Principles

For fiscal year 2002, the Corporation has implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis*.

GASB 34 creates new basic financial statements for reporting the Corporation's financial activities. The financial statements now include entity-wide financial statements, which are prepared on the accrual basis of accounting and fund financial statements, which are prepared on a modified accrual basis of accounting.

The beginning net asset amount for the Corporation reflects the change in fund balance for governmental funds at June 30, 2001 caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balance

The transition from governmental fund balance to net assets of the Corporation activities is presented. The net effect on the beginning net assets in the entity-wide financial statements caused by implementation of GASB 34 was an increase of \$1,103,910. Also, beginning net assets increased to reflect capital assets previously omitted in error. The net effect on the beginning net assets caused by the prior period adjustment was a decrease of \$172,441.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







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Former Members of the Jefferson County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Jefferson County, Kentucky, Economic Development Corporation, as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated January 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County, Kentucky, Economic Development Corporation financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County, Kentucky, Economic Development Corporation internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 16, 2003

